



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
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## **COMMISSION PENALIZES MESA INSURANCE AGENT FOR SELLING UNREGISTERED PAY TELEPHONE CONTRACTS**

PHOENIX – The Arizona Corporation Commission entered into a consent order with 57-year-old Elliot Taylor Crosby for selling unregistered securities in the form of pay telephone investment contracts. Crosby, an insurance agent from Mesa, agreed to pay a \$10,000 penalty and return commissions of \$100,000, plus interest, that he earned from selling investment contracts in Alpha Telcom, Inc., an Oregon corporation.

The Commission determined that Crosby relied on legal opinions stating that Alpha Telcom investment contracts were not securities. These opinions, however, did not address Arizona law regarding securities in the form of investment contracts. Alpha Telcom contracts were not registered investments and did not have an applicable exemption from registration in Arizona.

Although licensed to sell insurance, Crosby was not licensed to sell securities in Arizona. In addition, his business, Advance Senior Estate Planning, is not registered nor does it have an applicable exemption from registration in Arizona.

The Commission found that Alpha Telcom's sales agents earned anywhere from 12 to 19 percent in commissions for every telephone sold. From June 2000 through May 2001, Crosby sold \$2.1 million in Alpha Telcom pay telephone contracts to at least 23 Arizona investors.

Crosby told prospective investors that their investments were insured and presented Alpha Telcom as a stable,

profitable and innovative company. But the Commission found that the state insurance coverage did not exist and that Alpha Telecom had been in trouble with at least 12 state and federal regulators. Crosby also touted a 14 percent annual return. Investors received payments of \$58.34 per month for every telephone they purchased, but payments eventually stopped after Alpha Telecom declared bankruptcy in August 2001.

Investors were not aware of the company's long disciplinary history with state and federal regulators, but they became aware of the bankruptcy when payments from Alpha Telecom stopped. Because the company filed bankruptcy, it is unknown what—if any—funds will be recovered from Alpha Telecom.

Although the orders resolve the Commission's claims against Crosby, the Commission anticipates that it will take action against other individuals and companies involved in selling the Alpha Telecom contracts. To date, the Commission has entered into consent orders with five other insurance agents besides Crosby. The most recent cases in 2004 involved insurance agent Steven C. Bond of Gilbert, securities salesperson and insurance agent Kathleen Whorley Sommer of Phoenix and insurance agent Evelyn Baumgardner of Glendale.

Before investing, people should verify the registration of sellers and investment opportunities by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free outside the Phoenix metropolitan area at 1-877-811-3878. The Division's website also has helpful information for investors: [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us).

The Commission's final order against Mr. Crosby will be posted to the Securities Division website under Enforcement/Orders as soon as it is signed by all of the Commissioners. To access the full text of the Commission's order, please check the website in a few days:

<http://www.ccsd.cc.state.az.us/enforcement/enforce-orders.asp>.

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